

Message Text

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ACTION EA-06

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FM AMEMBASSY TAIPEI

TO SECSTATE WASHDC PRIORITY 3505

INFO USLO PEKING

AMEMBASSY SEOUL

AMEMBASSY TOKYO

AMCONSUL HONG KONG

CINPAC

S E C R E T TAIPEI 6991

LIMDIS

E.O. 11652: N/A

TAGS: PINT, PFOR, TW, CH

SUBJECT: CURRENT MOOD ON TAIWAN

CINCPAC FOR POLAD

REF: STATE 256021

1. BEGIN SUMMARY: IN CONTRAST WITH YEAR AGO WHEN NIXON ADMINISTRATION RECOGNITION OF PRC WAS SEEN AS PROBABLY INEVITABLE, RULING GROUP HERE NOW MAY BE HOPING THAT FORD ADMINISTRATION PERHAPS CAN BE DETERRED FROM TAKING FINAL STEP, THEY CONTINUE TO NOURISH HOPE ALSO THAT IF US RECOGNITION CAN BE PUSHED BACK IN TIME, POLITICAL CHAOS LIKELY TO ERUPT ON MAINLAND AND INDEFINITELY DELAY US DIPLOMATIC RECOGNITION. GENERAL PUBLIC, HOWEVER, INCLUDING INTELLECTUAL AND BUSINESS ELITES, STILL CONSIDERS TAIWAN TO BE "HELP-LESS PAWN." AT THE SAME TIME, WORSENING ECONOMIC SITUATION IS INCREASINGLY MATTER FOR CONCERN AND SEEMS LIKELY TO AFFECT POLITICAL RESILIENCE. LINE SHEN WILL TAKE WITH SECRETARY DEC 3 WILL DEPEND PRIMARILY UPON GROC ANALYSIS

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OF US-PRC COMMUNIQUE. IT WILL BE IMPORTANT FOR OUR

GETTING RELIABLE ROC REACTION AS WELL AS TO RELATIONSHIPS HERE THAT AMBASSADOR BE ABLE TO BRIEF CCK PROMPTLY AND AUTHORITATIVELY ON COMMUNIQUE AND FURTHER STEPS, IF ANY, IN US-PRC NORMALIZATION PROCESS. END SUMMARY.

2. AT ABOUT A YEAR AGO THIS TIME, MOST SOPHISTICATED POLITICAL OBSERVERS, BOTH IN AND OUT OF GOVERNMENTAL STRUCTURE, TENDED TO BELIEVE THAT NIXON ADMINISTRATION, BEFORE LEAVING OFFICE, WOULD RECOGNIZE PEKING AND DOWN-GRADE FORMAL RELATIONS WITH TAIPEI. IN THOSE DAYS BEFORE WORLD ECONOMIC DOWNTURN, THEY ALSO TENDED TO BELIEVE THAT PROVIDED US SECURITY GUARANTEE WERE CONTINUED IN SOME FORM AND FULL ECONOMIC ACCESS TO US WERE PRESERVED, ROC COULD SURVIVE SUCH A BLOW.

3. WATERGATE,(NIXON RESIGNATION AND, MOST RECENTLY, DEMOCRATIC GAINS IN NOVEMBER 5 ELECTION, HAVE MODIFIED GROC'S POLITICAL ASSESSMENT. FORD ADMINISTRATION IS SEEN AS LIKELY TO BE MORE CONSERVATIVE IN BOTH IDEOLOGY AND RISK-TAKING. SECRETARY'S PERSONAL ROOM FOR MANEUVER IS SEEN AS MORE CURTAILED THAT A YEAR AGO. THERE IS, THEREFORE, GROWING FEELING IN GROC POLICY-MAKING CIRCLES THAT PERHAPS FORD ADMINISTRATION CAN BE DETERRED FROM TAKING FINAL STEP, AND THAT WITH BOTH MAO AND CHOU ABOUT TO PASS FROM THE SCENE, IF US RECOGNITION CAN BE PUSHED BACK IN TIME POLITICAL CHAOS ON MAINLAND MAY ERUPT AND INDEFINITELY DELAY US DIPLOMATIC RECOGNITION OF PRC. AT THD MOMENT, THIS IS LARGELY A VIEW OF TOP GOVERNMENT ELITE. MOST OTHER GROUPS IN SOCIETY, MAINLANDER AND TAIWANESE, ARE STILL HIGHLY FATALISTIC AND REGARD TAIWAN AS HELPLESS PAWN IN GAME PLAYED BY BIG POWERS.

4. WHILE THERE THUS IS SOME GUARDED POLITICAL OPTIMISM AT THE TOP, WORSENING ECONOMIC SITUATION IS BEGINNING TO CAUSE DEEP CONCERN. REAL ECONOMIC GROWTH WILL BE CUT BY ABOUT TWO-THIRDS THIS YEAR, DROPPING FROM OVER 1(2 PERCENT LAST YEAR TO BETWEEN 4 AND 5 PERCENT IN 1974. EXPORT ORDERS (IN AN ECONOMY WHERE EXPORTS NORMALLY ACCOUNT FOR MORE THAN 50 PERCENT OF GNP) HAVE NOT PICKED

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UP IN FINAL QUARTER AS FORECAST, MANY MANUFACTURING FIRMS ARE IN DEEP TROUBLE, AND SEVERE CUTBACKS IN PRODUCTION AND EMPLOYMENT WILL OCCUR THROUGHOUT EXPORT-ORIENTED INDUSTRY OVER NEXT FEW MONTHS. ECONOMIC PINCH IS ALREADY BEGINNING TO AFFECT POLITICAL RESILIENCE AND IS LIKELY TO CONTINUE TO DO SO.

5. IT IS QUITE DIFFICULT TO FORECAST IN DETAIL
LINE AMBASSADOR SHEN IS LIKELY TO TAKE WITH SECRETARY
AT THEIR DECEMBER 3 MEETING. MUCH WILL DEPEND UPON
GROC'S ANALYSIS OF US-PRC COMMUNIQUE FOLLOWING SECRE-
TARY'S VISIT TO PEKING, BUT WE WOULD EXPECT HSEN IN
ANY CASE WILL (A) EMPHASIZE ROC FRAGILITY AS WELL AS ITS
FAITHFULNESS AS AN ALLY; (B) REITERATE PREMIER'S
HOPE FOR FULL AND FRANK DIALOGUE; (C) INQUIRE AS TO
SPECIFIC FURTHER STEPS PLANNED FOR NORMALIZATION PROCESS.
IN EVENT ANYTHING "DRAMATIC" EVENTUATES FROM VISIT,
SHEN DOUBTLESS WILL ASK FOR SOME PUBLIC GESTURE OF RE-
ASSURANCE.

6. DIRECT DISCUSSION WITH PREMIER SHOULD PROVIDE BEST
MEASURE OF ROC'S REACTION AT GOVERNMENTAL LEVEL TO
SECRETARY'S PRC VISIT (PARA 3 REFTEL). FOR THIS REASON
AND ALSO IN TERMS OF OUR RELATIONSHIPS HERE IT IS EKCEEDINGLY
IMPORTANT THAT AMBASSADOR BE IN POSITION TO BRIEF
PREMIER CHIANG AUTHORITATIVELY ON SECRETARY'S VISIT AS
SOON AS POSSIBLE AFTER THE EVENT. UNGER

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